

ANNUAL REPORTS, WAR DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 1911

REPORT OF THE
CHIEF OF THE BUREAU OF
INSULAR AFFAIRS

TO THE SECRETARY OF WAR

1911



WASHINGTON
GOVERNMENT PRINTING OFFICE
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REPORT
OF THE
CHIEF OF THE BUREAU OF INSULAR AFFAIRS

TO THE
SECRETARY OF WAR.

WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, November 30, 1911.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

PHILIPPINE ISLANDS.

LEGISLATION ENACTED BY THE SIXTY-FIRST CONGRESS, THIRD SESSION,
AND THE SIXTY-SECOND CONGRESS, FIRST SESSION.

ELECTION OF DELEGATES AND COMMISSIONERS.

The only legislation enacted by Congress during the last two sessions directly affecting the civil government of the Philippine Islands was an act amending the act of June 14, 1910, covering the election and terms of office of the members of the Philippine Assembly and the Resident Commissioners to the United States, and providing for their quadrennial election instead of biennial, as heretofore. The change in the term of Resident Commissioners will permit the members of the insular legislature to participate in the election of the commissioners who are representing them in sentiment and policy, while quadrennial elections will save time and money for the people and government of the Philippine Islands. The Philippine Legislature has also now passed an act providing that the next general election for provincial and municipal officials shall be held on the first Tuesday in June, 1912, and quadrennially thereafter, with terms of office to commence from October 16 following the election. This date not only falls during the most comfortable season of the year, but is popularly significant in Philippine history as the anniversary of the date on which Secretary of War (now President) Taft opened the first Philippine Assembly.

LEGISLATION NOT FINALLY ACTED UPON.

A number of the bills affecting the Philippines introduced during the last Congress and the first session of the present Congress without reaching the stage of final action are important to the development of the islands and early legislative action thereon is desirable. These include provisions for—

1. Increase of amount of land that may be homesteaded from 16 hectares (39.5 acres) to 50 hectares (123.5 acres) and the amount

of land that may be sold to an individual from 16 hectares to 500 hectares (1,235.5 acres), and authority to give free title to those who have occupied lands, within the limit of 50 hectares, for five years and cultivated it for three years prior to filing petition for title. There are some 60,000,000 acres of public lands in the Philippines, 20,000,000 of which are classed as agricultural lands. One immediate need of the islands is agricultural development. A wise regard for the future dictates restraint in the allotment of land, but the future plainly is not to be benefited by a total neglect of the present, and experience has shown that the existing authority is insufficient to encourage settlement and cultivation to the extent essential to present material progress. The proposed limit is well within the bounds of safety and is fully warranted by the amount of public lands awaiting disposition. This does not affect the amount of public lands that may now be sold to a corporation or association, though it is believed that even this limit, 1,024 hectares (2,530.3 acres), might wisely be reasonably increased.

2. Amendment of existing law to admit the filing of more than one mining claim on the same vein or lode by the same persons, corporation, or association; to facilitate the taking up of claims for placer mining or mines under water; and to extend the time for development of coal claims from one year to three years. There are undoubtedly mineral possibilities in the Philippines, how great is unknown and probably undiscoverable under the present restrictions. In nearly all cases such traces as have been found are in wild and inaccessible parts, and the expense attached to transportation, even if found in paying quantities, is too great in the general case to warrant mining operations on any important scale under the limitations now imposed. As in the case of other public lands, it is believed that possible present prosperity should not altogether be sacrificed to the future.

3. Increase in limit of bonded indebtedness for public works. The act of February 6, 1905, limited the bonded indebtedness of the Philippine Government for public works to \$5,000,000. This limit has been reached through three issues of bonds, the proceeds of which have been wisely expended in important public improvements. Much remains to be done that can not be economically undertaken from the ordinary insular revenues, and the importance of the work both in the future and the present as well as the excellent financial condition of the insular government warrants legislative authority for the increased bonded indebtedness desired. The safeguards provided are sufficient to permit this limit to be extended to \$15,000,000 with entire safety.

4. Admission to citizenship in the Philippine Islands. Section 4 of the act of July 1, 1902, known as the organic act of the Philippine Islands, defines citizens of the Philippine Islands as "all inhabitants of the Philippine Islands continuing to reside therein who were Spanish subjects on the eleventh day of April, eighteen hundred and ninety-nine, and then resided in said islands, and their children born subsequent thereto," and thus by its terms excludes from citizenship those inhabitants temporarily absent from the islands on April 11, 1899, as well as their children. That those Filipinos thus unintentionally excluded should be admitted to citizenship seems plain; but

I believe that legislation in this respect should go farther, as has been previously recommended and included in a bill before Congress, and should permit certain desirable classes of aliens residing permanently in the Philippines to become citizens thereof, and thus entitled to certain legal privileges restricted to citizens of the United States or of the Philippine Islands. Since it is not desired to confer United States citizenship nor to make it easier for aliens to become citizens of the United States, it would seem that the necessary authority in this matter might well be vested, with reasonable limitation, in the Philippine Legislature. The limitation suggested by the Philippine Commission is that the legislature may not admit as citizens of the Philippine Islands any persons, other than natives of the insular possessions of the United States, who may not, under the laws of the United States, be naturalized as citizens thereof. I concur in this recommendation.

FRIAR LANDS.

The investigation by a committee of Congress of the bureau of lands of the Philippine Government having developed a difference of opinion among the members of the committee concerning the legality and propriety of selling unoccupied tracts of the friars' estates in larger areas than authorized by law in the case of public lands in the Philippines, the Philippine Government, under advice of the Secretary of War, refrained from any further sales in excess of the limits fixed for the public lands. This suspension of its right, under the law as interpreted by all authorities that have passed upon it, is still in force awaiting the will of Congress, in case it is desired by that body to take definite action in the matter. It is important to remember, however, that these lands unless sold must become a heavy financial drain on the Philippine Government. I believe they should be disposed of as early as possible to their tenants where occupied, but when unoccupied to whatever purchasers may be interested and in such areas as the interests of all concerned demand. The restricted amount of these lands available for sale in comparison with the area of public lands in the Philippines upon which a limit is fixed by Congress makes their disposition of little importance, so far as the general question is concerned, but in view of what they mean in the way of increasing debt to the Philippine Government, early disposition is a matter of serious importance to the Government itself. Moreover, the pressing need in the Philippines, not only for the present but the future, is encouragement to industrial development. These lands when unoccupied, if disposed of as suggested, may to this extent afford some such encouragement to capital without in any way threatening exploitation of the islands for the benefit of American or other capitalists. Unless, therefore, Congress desires to restrict the sale of these lands, I believe no further obstacle should be put in the way of the exercise by the Philippine Government of the right it believes now legally to exist.

PUBLIC ORDER.

Peace and public order have been preserved throughout the year in the archipelago. Some of the last of the bandit leaders have been arrested or killed while resisting capture, which has helped to bring this particular cause of unrest still nearer to its inevitable end. The constabulary has proved itself equal to all emergencies in the suppression of lawlessness and has maintained the efficiency that has marked its development in past years. Credit, as always, is due in just proportion for this to the officers of the Army detailed for duty in the higher offices of this body, but it should not be forgotten that the experience gained by these officers and their additional value to the Army by reason of this experience and the extensive knowledge gained thereby of the islands and their people more than repays not only these officers but the Army for the sacrifices made.

RAILROADS.**THE MANILA RAILROAD CO.**

Progress in the northern (unguaranteed) and southern (guaranteed) lines of Luzon continued in the construction work along the approved routes and in surveying and locating new extensions and branches recently authorized.

Northern lines.—The Dagupan and San Fernando extension is nearly completed and is in full commercial operation to Aringay.

The branch of the main line from Paniqui to Tayug has been extended to Bued and Rosales, and there is but little more construction necessary to complete this line and put it in operation its entire length.

Southern lines.—The line south from Manila to Cavite and Naic is complete to Calibuyo, within a very short distance of Naic, and construction is progressing well. The line is open to commercial operations to Cavite and in construction operation as far as built.

The Manila-Batangas line has been completed and is in full commercial operation. The extension from Batangas northwest to Bauan is in progress.

From the main line from Manila to Batangas a branch is being built from Calamba to Santa Cruz, Magdalena, and Pansanjan. This line is complete to Manaul, nearly to Magdalena, and a considerable portion of this mileage is in operation. This line should be completed in the near future.

Another branch line from the Batangas road is to extend from Luta to Lucena. This line has been completed to Macampo near San Pablo. A further extension of this line has been authorized from Lucena southeast to connect with the line in Camarines Sur and Albay from Nueva Caceres to Lagonoy, Albay, Legaspi, and Tabaco. This connecting link has been surveyed its entire length and a route recommended with alternate routes for portions of the distance, but has not yet been definitely located and approved. It will be about 137 miles in length and connect with the line in the southern provinces about seven miles north of Nueva Caceres.

THE PHILIPPINE RAILWAY CO.

Panay.—As reported last year, the trunk line across the island from Iloilo to Capiz was completed and placed in construction operation on August 28, 1910. Little additional tracklaying has been done since except on sidings, and the work this year has been confined to improvement of the right of way by ballasting, strengthening embankments, completing stations, and replacing temporary bridges with permanent structures. The line is nearly 73 miles in length, and is now in full commercial operation.

Cebu.—The mileage of railroad in operation on this island at the close of the fiscal year 1910 was nearly 60 miles, and no additional mileage has been constructed during the fiscal year just passed.

Negros.—Railroad building on this island is still in abeyance and no definite time for beginning operations has been fixed.

POSTAL SAVINGS BANK.

Reports covering the operations of the postal savings bank for the fiscal year ended June 30, 1911, show continued increase in the number of depositors and in the volume of business transacted, while the growth in the proportion of Filipino accounts from 65 per cent to 80 per cent of the total indicates that the institution is fulfilling its fundamental purpose. The following tables show the business status of the bank and its growth during the fiscal year:

Number of open accounts on June 30, 1911.

	Total number of accounts.	Per cent of total.
Americans.....	4,388	15.23
Filipinos.....	23,174	80.45
Europeans.....	679	2.36
Asiatics.....	504	1.75
Societies.....	59	.21
Total.....	28,804	100

Comparative statement, 1910-1911.

	June 30, 1910.	June 30, 1911.	Gain during year.
Number of accounts standing open.....	13,102	28,804	¹ 120
Net deposits.....	P1,679,246.35	P2,099,474.49	P420,228.14
Total banks in operation.....	293	414	121

¹ Per cent.

PHILIPPINE CURRENCY.

SILVER COINAGE.

During the fiscal year P647,000 in Philippine silver coin were shipped to the San Francisco Mint for recoinage under the act of Congress approved July 23, 1906. The total silver shipped for

recoining under this act to June 30, 1911, was ₱29,498,500. New coin was shipped from the San Francisco Mint to Manila during the year to the amount of ₱1,061,000, of which ₱30,000 were copper and the remainder silver. The total shipments of coin of the present standard to June 30, 1911, were:

Pesos.....	₱42,404,955.00
50 centavos.....	2,719,401.50
20 centavos.....	1,379,469.60
10 centavos.....	1,010,172.80
1 centavo.....	84,157.37
Total.....	47,598,156.27

PAPER CURRENCY.

No additional paper currency was sent to Manila during the fiscal year.

DEPOSITARIES.

Since the date of my last report the Commercial National Bank, of Washington, D. C., has been designated a depositary for the Philippine Government, making at present 12 depositaries for that government in the United States. The deposits of the treasurer of the Philippine Islands with these depositaries on June 30, 1911, amounted to \$12,908,977.19, as against \$14,421,191.30 on June 30, 1910.

BONDED INDEBTEDNESS.

In June last the bureau offered for sale \$125,000 4 per cent 10-30-year bonds of the city of Cebu, P. I., issued for the purpose of providing funds for the construction of a water and sewerage system for that municipality. These bonds are guaranteed as to principal and interest by the Philippine Government. The entire issue was sold for 102.033 and interest, and was many times oversubscribed.

The bonded indebtedness of the Philippine Government at present is as follows:

	Amount.	Redeemable.	Due.
Land-purchase bonds, 4 per cent.....	\$7,000,000	1914	1934
Public works and improvements bonds, 4 per cent.....	2,500,000	1915	1935
Do.....	1,000,000	1916	1936
Do.....	1,500,000	1919	1939
City of Manila sewer and waterworks bonds, 4 per cent.....	1,000,000	1915	1935
Do.....	2,000,000	1917	1937
Do.....	1,000,000	1918	1938
City of Cebu sewer and waterworks bonds, 4 per cent.....	125,000	1921	1941
Total.....	16,125,000		

PURCHASE OF SUPPLIES.

During the fiscal year the bureau received from the Philippine Government 1,013 purchase requisitions by mail and 101 requisitions by cable, as against 972 and 119, respectively, for the previous year. There was disbursed by the bureau for supplies bought for the Philippines, and for expense of purchase, shipment, etc., \$904,799.66, as against \$934,447.74 for the preceding year.

Requisitions for supplies received by the bureau from the Philippines and also from Porto Rico are executed through the agency of the bureau maintained in New York City, as detailed in previous reports. That agency also purchases such supplies as are needed by the general receiver of Dominican customs.

DISBURSEMENTS.

Disbursements of Philippine revenues by the disbursing agent of the bureau for the fiscal year were \$2,116,441.73, and the total disbursements from May 20, 1901, the date of the inauguration of the disbursing office, to June 30, 1911, amount to \$39,265,337.68.

COMMERCIAL STATISTICS.

The Quarterly Summary of Philippine Commerce has been published throughout the year, giving the current foreign trade movement by countries and commodities in comparison with previous periods. Revised and amplified import and export schedules were submitted to the insular collector and monthly reports have been received thereunder from July, 1910, making possible the presentation in the April-June issue of the summary the trade of the islands for the year in greater detail than ever before. The more complete information furnished is especially shown in the case of the large cotton goods trade, which has thus far yielded the greatest results to the American exporter under the operation of free trade, but other important new details concerning both imports and exports are to be found in the amplified data.

The total exports for the year amounted to \$39,778,629 and maintained substantially the high record established in 1910. Imports reached the unprecedented value of \$49,833,722, but this amount is not fully comparable with the smaller totals of previous years, since it includes imports of Government supplies and railway supplies heretofore entitled to free entry and excluded from the corresponding totals for previous years. The free-entry privilege extended to these supplies under previous tariffs made possible the identification and practical exclusion of this large and not strictly commercial element, but upon the establishment of free trade with the United States and the imposition of duties on Government supplies from other countries, the effective identification of all these imports became impossible. In the above import total for 1911 is included consignments from the United States to the value of \$4,532,379 made direct to supply officers of the United States Army and the Navy and of the insular government, and railway free-entry imports under provisions of act 1566 of the Philippine Commission to the value of \$314,965, as well as an unknown volume of railway supplies from the United States and of Government supplies, both foreign and American, not directly consigned, but which should also be excluded in order to make the figures comparable with those of previous years.

IMPORTS.

Imports for fiscal years from 1899 to 1911, exclusive of gold and silver, were as follows:

Fiscal years.	From—		Total.
	United States.	Other countries.	
1899 ¹	\$1, 150, 613	\$11, 962, 397	\$13, 113, 010
1900	1, 657, 701	18, 943, 735	20, 601, 436
1901	2, 855, 685	27, 423, 721	30, 279, 406
1902	4, 085, 243	28, 106, 599	32, 141, 842
1903	3, 944, 098	29, 027, 784	32, 971, 882
1904	4, 633, 216	28, 587, 545	33, 220, 761
1905	5, 761, 498	25, 114, 852	30, 876, 350
1906	4, 333, 893	21, 465, 373	25, 799, 266
1907	5, 155, 359	23, 630, 496	28, 785, 855
1908	5, 079, 487	25, 838, 870	30, 918, 357
1909	4, 691, 770	23, 100, 627	27, 792, 397
1910	10, 775, 301	26, 292, 329	37, 067, 630
1911 ²	19, 483, 658	30, 350, 064	49, 833, 722

¹ Aug. 20, 1898, to June 30, 1899.

² Figures include Government supplies and railway free entries.

Cotton and manufactures were imported to a value of \$10,395,480 and constituted 20 per cent of all imports. The United States repeated the large gains of 1910 and was foremost contributor, with a total of \$4,192,849. British goods, after a conspicuous lead throughout American occupation, took second rank, with a value of \$3,523,224. The cotton trade with countries other than the United States was as a whole somewhat smaller than in 1910. Imports of cattle greatly increased in 1911 and amounted to \$1,490,550, as compared with \$871,966 in the previous year. What has heretofore been largely a beef cattle trade for slaughter at Manila was supplemented by draft animals, and heavy shipments of carabao were brought into the islands, chiefly through the port of Iloilo, adjacent to the leading sugar producing section, where active development of the industry is in progress. Fresh beef imports amounted to \$851,200, largely for Army supply, and came almost wholly from Australia, as in the past; but the bulk of the cattle trade—both beef and draft—was with the French East Indies, and quarantine regulations are given as the cause of the loss of the market by China after a practical monopoly in earlier years. The material increase in imports of rice, which has been a feature of recent years, continued in 1911, and the quantity was larger than in any year since 1905. The value of these imports was \$6,560,630, or \$1,238,668 more than in 1910, while the low price prevailing during that year was not maintained, but steadily increased and showed a substantial advance at the close of 1911. Wheat flour was also imported in larger quantities, but in consequence of lower prices the value of \$1,422,279 was somewhat less than in 1910. While this was largely American flour, the Australian product maintained a competition of some importance in spite of the tariff handicap. Imports of iron and steel and manufactures amounted to \$5,887,185, and in the two and a half million increase Government supplies were a factor of some importance. The United States furnished a value of \$3,909,519, the United Kingdom \$965,982, and Germany \$514,407. Imports of coal amounted to \$1,548,437, and in the

material increase for the year are included Navy coal from the United States, Army contracts from Japan, and Insular Government supplies from Australia. A million-dollar illuminating-oil trade was supplied to the extent of \$857,395 by the United States, with reduced competition from the Sumatra product. The value of all imports from the United States was \$19,483,658, or practically 40 per cent of the total trade. In addition to this there was imported from Hawaii a value of \$335,183, made up chiefly of sugar-mill machinery and partly of coffee, which under free-trade conditions is supplanting the Java product.

EXPORTS.

Exports for the fiscal years from 1899 to 1911, exclusive of gold and silver, were as follows:

Fiscal years.	To—		Total.
	United States.	Other countries.	
1899 ¹	\$3,540,894	\$8,826,018	\$12,366,912
1900.....	3,522,160	16,228,908	19,751,068
1901.....	2,572,021	20,642,927	23,214,948
1902.....	7,691,743	16,235,936	23,927,679
1903.....	13,863,059	19,256,840	33,119,899
1904.....	11,102,775	19,147,852	30,250,627
1905.....	15,668,026	16,684,589	32,352,615
1906.....	11,579,411	20,337,723	31,917,134
1907.....	12,079,204	21,634,153	33,713,357
1908.....	10,323,233	22,493,334	32,816,567
1909.....	10,215,331	20,778,232	30,993,563
1910.....	18,741,771	21,122,398	39,864,169
1911.....	16,716,956	23,061,673	39,778,629

¹ Aug. 20, 1898, to June 30, 1899.

In the export total of \$39,778,629 for the year manila hemp retained its foremost place, but declined both in actual value and relative importance in the face of substantial gains by copra and sugar, each of which established new high-record values in 1911. The cigar trade suffered a heavy decline from the very abnormal figures created by the first year of free access to the American market, though exports were still much in excess of those of earlier years, while foreign sales of leaf tobacco were unusually large. Exports of hemp were 163,033 long tons, valued at \$16,141,340. There was a decline of 5,000 tons from the unprecedented figures of 1910, as well as a further reduction of \$5 per ton from the low average price of the previous year, which resulted in a smaller return to the hemp industry by \$1,263,582. The close approximation in price between fair current hemp and sisal, which was a feature of the American fiber market coincident with the abnormally large exports to the United States in 1910, was not maintained in 1911, and with the widening difference in prices there were larger purchases of the cheaper Mexican fiber, with a corresponding decline in exports of hemp to the United States. A higher average price prevailed for such exports as went to the American market, but this failed to offset the heavy reduction in quantity from 97,737 to 65,494 tons, and the value of \$7,410,373 was the smallest credited to the United States for hemp since the establishment of the direct hemp trade by the act of March 8, 1902.

Shipments to the United Kingdom increased from 56,263 to 76,771 tons, but were at a materially reduced price, and averaged \$25 per ton below those to the American market. Copra exports were 113,775 long tons, valued at \$9,899,457. The increase in quantity was nominal, but the price received was higher, and this important staple added three-quarters of a million dollars to its steadily increasing prominence in the export resources of the islands. The value of these shipments to the United States more than doubled and amounted to \$1,030,481, but the French lead in this trade continued, with purchases that amounted to \$6,140,343. The encouragement given to the sugar industry by free access to the American market and the favorable price received in 1910 was followed by an increase in exports from 125,699 to 147,016 long tons; 126,889 tons went to the United States and 20,127 tons to other countries—almost entirely to the China-Hongkong market. Though the price average was slightly less, the value of the trade for the year was \$8,014,360, or about \$1,000,000 more than in 1910. The proportion to the United States was somewhat larger than in the first year of free trade, but even on the basis of total exports not half of the limit fixed by Congress has yet been reached. The great stimulus given to the cigar industry in 1910 by the opening of the American market was not maintained, and exports to the United States, which amounted to 83,931,000 in that year, declined to 22,974,000 in 1911. Exports to other countries also declined to a nominal extent, and the total for the year of 132,217,000, valued at \$1,700,712, resulted in a reduced trade return of \$1,272,918. Regulations that were inaugurated to improve the quality of exports to the American market and correct the unfavorable impression created by earlier shipments resulted in a materially higher average price in 1911, while improved trade was the indication toward the end of the year. Reduced demand for leaf in the cigar industry was attended by larger exports and at lower prices than in 1910, which resulted in a net gain of \$223,248 in exports of unmanufactured tobacco. Of the total of 27,436,494 pounds, valued at \$1,842,992, Spain and other European countries took practically the whole. Free trade proved no inducement, and shipments to the United States amounted to only 9,720 pounds. Among the minor products of the islands maguey was marketed in larger quantity, but at a lower price, and yielded \$254,053; a three hundred thousand dollar hat trade became more distinctly American; and exports of shells reached the unusual value of \$274,540. Larger shipments of sugar and copra were not sufficient to offset the heavy shrinkage in the American demand for hemp and cigars, in consequence of which exports to the United States declined about \$2,000,000. Total exports to the United States amounted to \$16,716,956, in addition to which there were exports to Hawaii to the value of \$96,908, made up almost wholly of cigars.

INSULAR RECEIPTS AND DISBURSEMENTS.

The following comparative statement of insular receipts and disbursements of the Philippine Islands, exclusive of all items of a refundable character, covers the fiscal years ended June 30, 1910, and June 30, 1911, expressed in United States currency:

	Fiscal year 1910.	Fiscal year 1911.
CREDITS.		
Balances from prior years.....	\$5,857,642.08	\$6,398,493.56
Revenues:		
Customs.....	7,854,887.83	8,272,397.78
Internal.....	3,719,766.19	4,134,876.06
Miscellaneous.....	431,952.60	315,486.38
Total revenues.....	12,006,606.88	12,722,760.22
Other receipts.....	509,828.12	54,887.62
Supplies.....		2,755,431.08
Total credits.....	18,374,077.08	21,931,572.48
DEBITS.		
Expenditures:		
Bureaus and offices.....	8,279,943.22	8,318,061.56
Miscellaneous.....	899,334.37	718,232.32
Fixed charges.....	1,278,469.06	1,609,399.01
Aid to provinces.....	109,926.12	143,200.50
Public works.....	1,405,762.16	2,899,577.16
Total expenditures.....	11,973,434.93	13,688,559.55
Other disbursements.....	2,148.59	
Surplus:		
Cash.....	5,224,149.68	3,933,338.69
Supplies.....		2,755,431.08
Other.....	1,174,343.88	1,554,243.16
Total debits.....	18,374,077.08	21,931,572.48

FILIPINO STUDENTS IN THE UNITED STATES.

During the past year Filipino students have been in attendance at the following institutions:

Manhattan, Kans.: Kansas State Agricultural College.....	1	Ithaca, N. Y.: Cornell University.....	3
Chicago, Illinois:		New York, N. Y.: Columbia University.....	1
University of Chicago.....	1	Philadelphia, Pa.: Drexel Institute..	1
Northwestern University Medical School.....	1	Boston, Mass.: Harvard University..	1
College of Physicians and Surgeons.....	1	Madison, Wis.: University of Wisconsin.....	2
Urbana, Ill.: University of Illinois...	3	Cloquett, Minn.: Studying paper making in mill.....	1
Angola, Ind.: Tri-State College.....	1		
Lafayette, Ind.: Purdue University..	1		
Geneva, N. Y.: Public school.....	1	Total.....	19

In addition to these 19 students there were allowed to remain in self-supporting positions 2 as civil engineers, 1 as textile engineer, 1 as electrical engineer, 1 as mechanical engineer, 1 as architect, and 1 medical student remained an additional year at his own expense, and 1 student was employed as clerk in the Bureau of Insular Affairs.

The courses pursued were as follows:

Architecture.....	1	Forestry.....	1
Arts and science.....	2	Mechanical Engineering.....	2
Civil engineering.....	5	Medicine.....	3
Elementary.....	1	Teaching.....	3
Paper making.....	1		

On July 6, 1910, there were 28 Government students under the supervision of this office. Since that time one student has been appointed and 18 have returned to the islands because of the completion of their courses or expiration of appointment. Of those returned 3 received degrees in medicine, 4 in civil engineering, 1 in electrical engineering, 2 in mechanical engineering, 1 in civil engineering in

architecture, while 1 received the degree of bachelor of arts, 1 the degree of bachelor of science in education, and 1 the degree of bachelor of science in horticulture and a degree as master of forestry.

There are now in the United States 11 students, 4 of whom are receiving no assistance from the Government. Of these latter 1 graduate in teaching is remaining in the United States at his own expense in order to obtain a master's degree and 1 graduate in civil engineering is remaining in a self-supporting position to obtain practical experience, and 1 is employed as clerk in the Bureau of Insular Affairs. Nearly all of the students will complete their work next year.

The conduct of the students during the year has been satisfactory and their health, with one exception, good. The scholastic work of the students has also been satisfactory with one exception, and the Government has been favored with the continued cooperation and assistance of the many institutions where the students are located.

This bureau has continued in charge of a number of private students and has extended aid and counsel to others.

PORTO RICO.

GENERAL CONDITIONS

The notable progress, commercial and industrial, made in Porto Rico during the fiscal year 1910, not only continued but increased during the year just passed. The governor of Porto Rico says of this period in his last annual report:

At its close a greater degree of prosperity existed among the people than at any previous time; every industry was active and prosperous, furnishing employment for all who sought it.

Prosperity in Porto Rico is mainly dependent, of course, upon agriculture, and in this field largely upon sugar, tobacco, coffee, and fruits. The production of all of these except coffee was notably increased during the year. Even coffee, which has never fully recovered from the effects of the hurricane of 1899 and the low price prevailing since, received a strong impetus during the last year, and though the quantity produced was less than in some of the years past, the better prices prevailing resulted in considerably increased benefits to the producers and encouraged them to improve and extend their estates. The production of fruit for export was increased during the last year about one-third, the total shipments reaching in value over \$2,000,000, a matter worth note since this is practically a new industry in Porto Rico, dating as a fact of commercial importance from 1903. In tobacco and sugar, the two leading industries in the island, notable increase during the year is recorded. About 25 per cent of the tobacco produced is shipped in the leaf, while the remainder is sold in manufactured form. The growth of this industry may be judged from the fact that 276,000,000 cigars were manufactured in 1911, or 31,000,000 more than were made in the preceding year. The tobacco industry produces some 15 per cent of the total insular receipts from external trade. Sugar production was marked by an increase of 13 per cent for the year, and the external sales reached nearly \$25,000,000 and constituted 63 per cent of the total receipts from external trade.

The land under cultivation has been largely extended throughout the island and increasing attention is given to scientific study of agriculture and to improved methods of production.

The total value of the external trade for the year increased over \$10,000,000 and reached an aggregate of \$78,705,364. Eighty-eight per cent of this trade was with the United States. Porto Rico purchased from the markets of the mainland merchandise to the value of \$34,671,958. Only 12 foreign countries purchased more from us during the same period. The benefits of free trade between Porto Rico and the United States are far, therefore, from falling wholly on one side. The following tables show briefly the commercial growth of the island since 1901, the year that the tariff barriers between the island and the mainland were removed:

IMPORTS AND EXPORTS.

Fiscal years.	Imports.	Exports.	Total.
1901.....	\$8,918,136	\$8,583,967	\$17,502,103
1902.....	13,209,610	12,433,956	25,643,566
1903.....	12,449,286	15,089,079	27,538,365
1904.....	13,169,029	16,265,903	29,434,932
1905.....	16,536,259	18,709,565	35,245,824
1906.....	21,827,665	23,257,530	45,085,195
1907.....	29,267,172	26,096,300	55,363,472
1908.....	25,825,665	30,644,490	56,470,155
1909.....	26,544,325	30,391,225	56,935,551
1910.....	30,634,855	37,060,219	67,695,074
1911.....	38,786,997	39,918,367	78,705,364

EXPORTS—SUGAR, CIGARS, AND COFFEE.

Fiscal years.	Sugar.	Cigars.	Coffee.
1901.....	\$4,715,611	\$306,115	\$1,678,765
1902.....	5,890,302	1,549,235	3,195,662
1903.....	7,470,122	1,753,795	3,970,574
1904.....	8,690,814	1,460,496	3,903,257
1905.....	11,925,804	2,162,051	2,141,000
1906.....	14,184,667	3,074,226	3,481,102
1907.....	14,770,682	4,241,410	4,693,004
1908.....	18,690,504	3,414,140	4,304,609
1909.....	18,432,446	4,383,893	3,715,744
1910.....	23,545,922	4,480,030	5,669,602
1911.....	24,479,346	5,355,223	4,992,779

EXPORTS—FRUITS.

Fiscal years.	Oranges.	Pineapples.	Coconuts.	Grapefruit.
1901.....	\$84,475	.....	\$8,334	.....
1902.....	51,364	.....	12,720	.....
1903.....	230,821	.....	326	.....
1904.....	352,646	.....	.....	.....
1905.....	125,422	.....	.....	.....
1906.....	295,633	\$27,826	129,793	.....
1907.....	469,312	64,831	174,957	\$7,596
1908.....	630,720	172,779	206,704	44,535
1909.....	401,912	442,780	204,498	76,310
1910.....	582,716	555,044	218,870	162,749
1911.....	703,989	641,291	258,168	309,698

The assessed value of property in Porto Rico, which was less than \$90,000,000 in 1905 and was reported in 1910 as \$121,866,149, was increased during the past year 33 per cent and, is now \$162,299,172. At the close of the year but five-sixteenths of 1 per cent of the taxes

due throughout the entire island were unpaid. The bonded indebtedness of the island, \$4,387,021.41, represents only 3 per cent of the assessed value of the property, or a per capita indebtedness of \$3.91 against an estimated per capita wealth of nearly \$250.

Deposits in recognized banking institutions during the year were increased 18 per cent. Deposits in these institutions have been increased over 100 per cent during the last four years. Twenty-seven new domestic corporations with paid-in capital of more than \$2,000,000 were organized, and 25 foreign corporations representing capital to the amount of \$40,000,000 were authorized to transact business during the past year.

The net receipts of the Insular Government increased 13 per cent over the preceding year and reached the sum of \$3,986,745.84, as follows:

From customs revenues.....	\$1,065,998.95
From property tax.....	136,408.09
From inheritance tax.....	15,161.42
From tobacco tax.....	202,128.79
From other excise taxes.....	2,217,751.72
From fees, fines, and miscellaneous sources.....	349,296.87
Total.....	3,986,745.84

A comparative statement of all receipts and disbursements of Porto Rico for the last two fiscal years follows, expressed in United States currency:

Revenues.	Fiscal year 1910.	Fiscal year 1911.	Total.
Customs.....	\$879,362.43	\$1,065,998.95	\$1,945,361.38
Internal.....	2,223,472.52	2,571,450.02	4,794,922.54
Miscellaneous.....	349,001.46	349,296.87	698,298.33
Total revenues.....	3,451,836.41	3,986,745.84	7,438,582.25
Other receipts:			
Repayment of loans to municipalities.....	93,586.80	79,659.81	173,246.61
Repayment of loans to school boards.....	43,094.74	38,943.41	82,038.15
Repayments to appropriations and transfers.....	156,050.59	324,054.70	480,105.29
Total receipts.....	3,744,568.54	4,429,403.76	8,173,972.30
Expenditures:			
Legislative.....	53,484.14	60,596.60	114,080.74
Executive.....	2,883,934.73	3,137,017.42	6,020,952.15
Judicial.....	420,834.57	443,366.36	864,200.93
Miscellaneous.....	89,358.72	153,268.01	242,626.73
Total expenditures.....	3,447,612.16	3,794,248.39	7,241,860.55
Other disbursements:			
Loans to municipalities.....	39,849.89	19,200.00	59,049.89
Loans to school boards.....	29,643.14	17,385.86	47,029.00
Repayments to appropriations and transfers.....	42,543.50	95,591.31	138,134.81
Total disbursements.....	3,559,648.69	3,926,425.56	7,486,074.25

PUBLIC WORKS.

Road construction, in which marked progress has been made since the American occupation, continued during the year though on a necessarily somewhat reduced scale. The irrigation work in progress on the south side of the island, from which some 35,000 acres of land are to benefit, was continued on an increased scale, and it is now expected that this will be sufficiently advanced for partial use of the system during 1913 and be fully completed within a year later.

EDUCATION.

The continued progress of educational work is shown by an increase of 20 per cent in the enrollment of pupils during the year. The total enrollment for the year was 145,525.

PURCHASES AND DISBURSEMENTS.

The bureau received from Porto Rico 324 mail and 41 cable requisitions for supplies, which were filled through its purchasing office, and disbursed for supplies purchased and expenses of shipment \$90,698.11 of Porto Rican funds.

FEDERAL LEGISLATION.

As stated in my report for last year, the act of Congress of April 12, 1900, popularly known as the Foraker Act, as supplemented by the joint resolution of May 1, 1900, and the act of July 15, 1909, has, generally speaking, met the requirements of government in Porto Rico in a most satisfactory manner. That, as the situation developed, some amendments would become desirable and some additional provisions important was to be expected, and this has proved to be the case. After a careful study of the subject by this bureau under the direction of the Secretary of War, and in consultation with the Porto Rican authorities, a draft of a proposed law was prepared which included the amendments and additional provisions found desirable and formed a complete revision of the present organic act. This bill, after exhaustive hearings before the Committee on Insular Affairs of the House, was finally passed by the House on June 15, 1910, as amended in committee. It did not, however, receive action in the Senate before the close of the Sixty-first Congress. While a complete revision of the present organic act is desirable as a matter of convenience, there are but a few matters upon which congressional action is of immediate importance. These few matters, however, deserve especial emphasis and early action. The most important are as follows:

1. *Citizenship.*—The Porto Rican is now without any national status as an individual. Traveling abroad he is a man without a country. Both as a practical and a sentimental matter this has been for many years a cause of political agitation and unrest in Porto Rico, and is the fundamental argument of the small portion of islanders found in opposition to the Government of the United States and its policy. The bill referred to above as originally drawn included a provision whereby such Porto Ricans as desired them might readily obtain the rights of United States citizenship without expense or serious trouble. As amended in committee and as passed by the House of Representatives the bill provided collective citizenship for all Porto Ricans. Other bills have been introduced having the same object in view, but without reaching the stage of final action. Porto Rico has been under the United States now for 13 years. The definite continuance of United States control in the island has never been seriously questioned there or elsewhere. As a matter of justice to the Porto Rican people, as well as to remove a cause of political

unrest, it is much to be desired that in one form or another such Porto Ricans as desire and may be regarded as entitled to it should, by definite congressional action, be admitted to citizenship in the United States. I recommend that action accordingly be urged at an early date.

2. *Sanitation.*—One serious omission in the present organic act for Porto Rico is the absence of any provisions controlling sanitation in the island. It is true that much has been accomplished in a sanitary way without such provision in the organic act, but this has been accomplished despite the omission and in the face of serious difficulties, and is moreover but a small part of what remains to be accomplished. The United States has much more than a humanitarian interest in this. The constantly increasing commercial intercourse and the increasing travel between the island and the mainland give it a very practical interest in the establishment of healthful conditions in the island that will avoid as far as possible likelihood of serious epidemics. Until recently the central government of the island exercised no real control over sanitary matters, which were left almost wholly to the discretion of the various municipalities. During the last session of the local legislature, however, an act was passed centralizing control and intended to improve sanitary conditions in general. While improvement thereunder is to be expected, and the insular legislature deserves credit for its action in this respect, it is not my belief, nor the belief of qualified observers in general, that this will be sufficient properly to control the situation. Nothing will be sufficient, I believe, now short of Federal legislation definitely prescribing a centralized sanitary system. The small area of the island makes a centralized system essential, while its situation in the Tropics and its proximity to other West Indian and South American ports makes direct requirement for the institution of modern sanitary methods of unquestioned importance. The bill above referred to included carefully drawn provisions for this purpose. In practically the same form these provisions were introduced as a separate bill during the first session of the Sixty-second Congress, and it is recommended that early action on this bill be secured if possible.

3. *Municipal judges.*—Under existing law municipal judges in Porto Rico are elected. It has sometimes been charged, and in a number of instances apparently established, that some of these judges, or subordinate officials of their courts, have taken an active interest in political matters and used their offices to influence political results. It is desirable, of course, that the insular courts be removed on the one hand from all untoward influences, and that, on the other, they be removed as far as possible from the temptation to exercise the powers intrusted to them for political purposes. This will be impossible so long as these judges and other officials of the courts hold their places as the result of a popular vote. The judges of the higher insular courts are appointed by the President and the governor, and these courts have established a highly creditable reputation for judicial fairness and freedom from political activities. Judges of municipal courts now established and such other courts as may be established by law, together with their secretaries and marshals, should, it is believed, be appointed by the governor, by and with the advice of the upper house of the insular legislature, and congressional provision for this is also recommended.

¶ 4. *Delegates to Porto Rican Assembly.*—Delegates to the lower house of the Porto Rican Legislature are now limited to 35 in number, and are elected by a popular vote, which chooses five delegates to represent each of the seven districts into which the island is divided under the present organic act. Under the interpretation placed upon the act actual residence within the district for which chosen has not been required on the part of the delegates, and in practice it has frequently happened that the delegates are not residents of the districts they represent. This has usually resulted in the choice of the delegates residing in the larger cities and largely in the capital, and has, with the large districts now the rule, helped to place political control in the hands of one party and effectually to prevent any minority representation. Minority representation is desirable, and it is believed might be attained were the island divided into 35 districts instead of 7, and requirement made that for eligibility to a seat in the lower house the delegate chosen must be an actual resident of the district from which elected. Federal legislation will be necessary now to produce this result.

5. *Exchange of Federal property.*—On June 14, 1910, Congress authorized the President to release to the people of Porto Rico such lands in the vicinity of the capital, San Juan, as are not required for use by the Federal Government. This act, however, did not cover lands beyond the vicinity of the capital, where considerable property is still held by the Federal authorities, though not needed by them, but needed by the insular government for important purposes. On the other hand, certain buildings and lands in San Juan now in possession of the insular government are desired by the Federal authorities for military purposes. The property thus desired is not well suited for the purposes of the insular government, which would be glad to exchange it for the Federal lands desired outside. The matter of exchange of these properties has been carefully investigated on both sides and was submitted by the Secretary of War to Congress in December, 1909. The values of the properties represented are about the same, and since both the Federal authorities concerned and the insular government are not merely agreeable to the exchange but desirous of it, there seems to be no good reason why the exchange should not be authorized. Action looking to this end is therefore recommended. In San Juan itself nearly half of the land of the island on which the capital city is located is now controlled by the Federal Government. A considerable part of this land is not in use. San Juan has grown rapidly and is growing rapidly now. It is confined within narrow limits by its situation and all available ground is necessary for present and future expansion. The act of Congress of June 14, 1910, enables the President to meet this necessity so far as the land concerned is not required for Federal purposes. The naval station in Porto Rico, which has been recently abandoned by the Navy Department, includes not only water frontage of vast importance in the harbor developments of San Juan to meet the requirements of its increased commerce, but other property and buildings suited to the immediate needs of the insular government. By direction of the President a board composed of representatives of the Navy Department and of this bureau of the War Department and one disinterested department has been appointed to visit Porto Rico and recommend the disposition of this property in the interest of all con-

cerned. No further action in this respect is therefore necessary at present, but the matter is mentioned here to emphasize the fact that the power of the President as conferred by the act of June 14, 1910, under which he is authorized to dispose of this property does not cover property outside of San Juan also desired by the insular government.

6. *Harbor improvements.*—The improvements of the harbor of San Juan already made by the Federal Government have provided a depth of 25 feet in a portion of the harbor and 30 feet at the entrance. But the improvements already made are not sufficient to provide proper accommodation for vessels that now enter the harbor nor, of course, those that would undoubtedly enter were greater depth and more anchorage room provided. San Juan is the principal commercial port of the island as well as the capital, but there are other harbors of importance also which should probably be improved, but for which study and plans are necessary before definite recommendation can be made. Porto Rico, it is to be remembered, is in the direct route from the Panama Canal to European ports and it is much to be desired that its harbors be prepared to take full advantage of any increase in shipping that the opening of the canal may mean. In this connection the governor of Porto Rico says in his last report:

The port of San Juan is naturally well adapted to a comprehensive development that would, with the new trade by the Panama route, make it one of the busiest ports of America. A suitable site for a free port is provided within the harbor of Grande Island, and its preparation for such use or other storage purposes, which would involve no difficult engineering problems, could be made with an expenditure insignificant in comparison with the advantages and returns it would give. It is imperative that a port of the growing, commercial, and strategic importance of San Juan should be able to accommodate the largest freight and passenger vessels plying in and through these waters, as well as the naval vessels which may have occasion from time to time to visit the island. Improvements on the harbor lines in the way of piers and wharves are being undertaken at San Juan, as well as other ports, by the local governments and private interests, but their usefulness, especially at San Juan, will be restricted by unsuitable water approaches until additional dredging can be done. The necessity for increased harbor facilities has been recognized by the representatives of the United States Engineer Corps who have studied the situation, but the plans that have been formulated by them have been but partially carried out at San Juan owing to a lack of funds with which to complete the work. In view of the immediate pressing need of more extensive shipping facilities at San Juan, as well as the prospective increase of trade which that port should receive upon the completion of the canal, it is earnestly urged that a further and early appropriation by Congress be requested with which to complete as rapidly as possible the projected improvements already inaugurated by the Federal authorities, and that for the same reasons investigations be instituted in respect to the feasibility of improving, and the character of the improvements which should be made, if any, at the ports of Mayaguez, Aguadilla, Arecibo, and Guayanilla.

While practically all of the harbor improvements so far undertaken in Porto Rico since the American occupation have been done by and at the expense of the Federal Government, and while the United States has unquestionably a direct commercial interest in the improvements of Porto Rican harbors, it is not clear to me that this is an expense that should be borne entirely by the Federal Government. On the other hand, the ordinary revenues of Porto Rico are not sufficient to permit it to undertake harbor improvements on the scale now essential, nor has the Insular Government the administrative machinery or the qualified engineers to undertake work of such importance. It is believed, therefore, that this work should be planned and executed by the War Department, which has charge of similar works in the United States, and that the expense of improvements should be divided, as are the interests in the matter, between the Federal and Insular Governments. As the ordinary revenues of

the island are insufficient to meet this expense, and action will be necessary looking to the provision of necessary funds either through the issue of bonds or by other means, early action by Congress will be essential if anything is to be accomplished in time to secure the benefits hoped for by the Porto Rican people from the opening of the Isthmian Canal. It is therefore recommended that Congress be urged to appropriate \$1,000,000 for the execution of such harbor improvements in San Juan as already planned and for a study of other Porto Rican harbors, to be expended under the direction of the War Department, provided that the Legislature of Porto Rico make adequate provision for a sum of \$2,000,000, to be expended in harbor improvements in the island in the same way.

DOMINICAN CUSTOMS RECEIVERSHIP.

It is something more than six years now since the receivership was inaugurated in the Dominican Republic. During this period, to July 31, 1911, which closed the fourth year of operations of the receivership under the convention of 1907, the sum of \$8,512,680.35 has been segregated from the customs receipts and transmitted to the fiscal agency in New York for the service of the bonded debt. The customs collections for the year were \$3,433,738.92, a gain of \$556,762.75 over the preceding year. With the exception of the year 1908, when the customs collections reached the total of \$3,469,110.69, the collections last year are the largest for any similar period in the history of the Republic. In view of the fact, however, that the collections for 1908 were under the old tariff, since revised and largely reduced, the collections for the last year represent a trade of greater volume than for any previous year.

The aggregate foreign trade of the Republic for the year 1910 amounted in value to \$17,107,314. In 1905 it was \$9,632,926. Of the total imports for 1910, reaching in value \$6,257,691, the United States supplied 60 per cent. Dominican exports increased in value to \$10,849,623, and thus exceeded in value by more than a million dollars the total foreign trade of but six years ago.

The new tariff law which was put into effect January 1, 1910, continues to work well and has proved above criticism in any large sense.

But the interest of the United States as manifested through the operations of the receivership has done far more for the Dominican Republic than the mere assistance given in providing an adequate tariff law and in stimulating its commercial and industrial development. It has changed a country torn by constant revolutions and armed disorder into one marked by stability of government and orderly conduct. It has changed a country sunk in debt and whose bonds were worthless in the world's markets into one well able to meet in full its obligations and still have greater revenues for its own purposes than at any preceding time in its history, and able to sell its bonds above par and to class them with the bonds of any of the greater Latin-American countries. And, finally, it has changed a country where capital was unsafe and afraid to go into one where capital is secure and is at least seeking opportunities.

Mr. W. E. Pulliam, general receiver, has continued during the year as chief of the service organized under the convention. The entire personnel of the office of the receivership is performing a diffi-

cult task under difficult circumstances and performing it well, and it deserves credit accordingly.

A comparative statement of the customs service in the Dominican Republic under the receivership follows:

Statement by fiscal years of the customs service, Republic of Santo Domingo.

	Under modus vivendi.	Under convention Feb. 8, 1907. ¹				Total.
	Apr.1,1905, to July 31, 1907.	Aug.1,1907, to July 31, 1908.	Aug.1,1908, to July 31, 1909.	Aug.1,1909, to July 31, 1910.	Aug.1,1910, to July 31, 1911.	
DEBITS.						
Expenditures:						
Salaries and expenses, all ports.....	\$163,938.00	\$83,071.13	\$82,196.36	\$85,820.61	\$91,823.10	\$506,849.20
Salaries, office comptrol- ler and general receiver....	83,560.76	44,494.70	53,955.68	51,475.40	52,341.54	285,828.08
Interest and exchange....	19,155.67	12,186.71	10,831.17	9,566.25	9,868.65	61,607.45
Coast and frontier guard expense.....	217,459.48	71,221.44	33,261.25	29,532.18	35,653.08	387,127.43
Payments:						
Republic of Santo Do- mingo.....	2,897,100.81	1,408,137.61	1,846,942.00	1,408,527.60	2,022,000.00	9,582,708.02
Indemnities.....	11,428.85	655.15		5,000.00		17,082.00
Railroad construction....	143,557.98	30,937.75				174,495.73
Other disbursements:						
Refunds.....	10,382.81	6,866.40	5,043.50	5,225.31	13,219.43	46,737.45
Refundable collections refunded.....	29,536.58	14,155.28	13,145.02	13,091.85	14,597.06	84,525.79
Concession benefits.....	103,967.13	41,938.08	19,765.59	6,302.68		171,973.48
All other disbursements....	10,919.39					10,919.39
Available for distribution:						
Fiscal agency account....	3,148,764.32	1,663,977.03	1,139,118.10	1,265,000.00	1,295,820.90	8,512,680.35
Balance due Republic of Santo Domingo.....					44,335.93	44,335.93
Unremitted balances in hands of deputy re- ceivers.....					88,613.15	88,613.15
Building fund.....					13,643.82	13,643.82
Total.....	6,845,769.78	3,377,640.28	3,204,258.67	2,879,541.88	3,681,916.66	19,989,127.27
CREDITS.						
Collections:						
Gross customs receipts...	6,815,756.49	3,454,955.41	3,345,712.67	2,863,874.32	3,419,141.86	19,899,440.75
Other receipts—						
Personal fees refund- able.....	29,536.58	14,155.28	13,677.04	13,101.85	14,597.06	85,067.81
Miscellaneous re- ceipts.....	51.33			3,018.89	1,548.49	4,618.71
Total.....	6,845,344.40	3,469,110.69	3,359,389.71	2,879,995.06	3,435,287.41	19,989,127.27

¹ Effective Aug. 1, 1907.

CIVIL OFFICERS IN THE INSULAR POSSESSIONS.

For several years I have recommended in my annual report and elsewhere congressional action providing for retirement, after 10 years or more of satisfactory service, of certain classes of civil officers of the Philippine Government. I renew this recommendation now. The added experience of each year but emphasizes the necessity for action of this kind. As time passes and as more natives are appointed to positions of trust in the Insular Government, in the gradual filipinization of the service, it becomes increasingly difficult to find qualified Americans who, under the conditions recognized as likely to limit the period of their service in the islands, can, in justice to their own futures, sacrifice whatever chances they may have or find for advance-

ment at home for the uncertainties of the insular service. Nevertheless, for many years to come, it will be necessary to find and to appoint qualified Americans to many of the higher offices in the insular governments, and some means of maintaining an adequate corps of insular officers must be provided. The only alternative would appear to be salaries so attractive in amount as to tempt men possessing the qualifications necessary to make the required sacrifices at home for the rewards offered for, perhaps, only a few years' service in the insular possessions. Such a course presents the disadvantage of arousing dissatisfaction among the native officeholders and of proving far more expensive in the end to the Insular Government than would an adequate retirement policy. The expenditure under the plan suggested would probably never exceed for the Philippine Government \$100,000 annually and would, of course, be made from Philippine revenues, since it is the Insular Government and the Filipino people that would derive the benefits from the increased incentive to efficiency on the part of Americans appointed to some of the higher offices.

BOARD OF VISITORS FOR INSULAR POSSESSIONS.

In the last annual report the chief of the bureau, in commenting on his visit to the Philippine Islands with the Secretary of War, said:

The visit in company with the Secretary of War, as well as similar visits by the chief of the bureau in the past, has served again to emphasize in his mind the desirability of such visits by those who have to deal directly with the administration of Philippine affairs or fixing of a Philippine policy, and leads him to suggest the importance of visits by at least subcommittees of the legislative committees of the Senate and House of Representatives whenever such visits are practicable. The information gained and the insight secured from direct contact would, it is thought, far more than repay in the time saved in the deliberations of the committees and in debate on the floor the cost of such visits as well as tend to assure the best legislative results for the Filipinos.

It is desired to emphasize this suggestion and to recommend legislation providing for an official board of visitors to the Philippine Islands and to Porto Rico after each short session of Congress. It is believed that with obvious modifications the present law governing the Board of Visitors to the Military Academy might well be followed in drafting legislation covering the biennial inspections of our insular possessions by representatives of the executive and legislative branches of the Government.

LAW OFFICER.

Mr. Paul Charlton, who has filled the office of law officer for the bureau for the past five years, resigned July 29, 1911, to accept appointment by the President as judge of the District Court of the United States for Porto Rico, and was succeeded in the bureau by Mr. Felix Frankfurter, of New York, who assumed the duties of his office July 30, 1911. The work of this office—not only in routine matters but in connection with the new questions constantly arising affecting the insular possessions and their relations to the United States, and the preparation for and conduct of cases before the Supreme Court in which the Insular Governments may be a party—continues of great importance and unchecked in volume. Justice to the large constructive problems which should call for the especial attention of the law officer demands that he have the necessary time and assistance for their

fullest consideration. At present he is without any trained professional aid. I therefore recommend in the interest of true economy that provision be made for a law clerk for his office. The interesting character of the work and the value of the experience would doubtless attract very proficient young men to the position with comparatively little salary.

PERSONNEL.

The officers and clerks of the bureau, almost without exception, have performed the varied duties falling upon them during the year with marked fidelity and efficiency. Work of a more varied character probably falls to the lot of this bureau than any other under the Government. Within the range of its activities, touching every governmental problem connected with the administrative control of 9,000,000 people, it has to do with every branch of government—executive, legislative, and judicial. Upon its clerical force there necessarily falls a mass of work of wide variety and great detail, and comparatively little of a purely routine nature. Only exceptional intelligence and industry on the part of the individual members of this force have enabled the bureau fully to meet the obligations falling upon it in its dual capacity of agent, on the one hand, of the insular governments for the transaction of their business in the United States and, on the other, of the Federal Government in its relations with the islands. The steadily widening activities of the insular possessions, moreover, is reflected in the increased volume of work coming into the bureau.

The scope of the bureau's work makes it an attractive place to the young man of intelligence and ambition seeking to enter the Government service, but, unfortunately, the limited personnel authorized and the low salaries offered even in the higher places do not afford opportunities for promotion suited to the class of employees essential for success in its work and desirous not only of entering but remaining in the service. The bureau has suffered seriously in this respect from transfers and resignations of exceptionally desirable men, who have been forced to seek other positions where the opportunities are greater and for which their experience in the bureau has helped especially to fit them. In this way the services of many clerks are lost just at the time their training has rendered them of real value to the bureau. Men lost in this way can not be replaced by others equally qualified, and the bureau's only recourse is to train others anew, and frequently to no better end than to see them similarly transferred to other fields of usefulness. The records have been traced in a number of instances of men who have been transferred or resigned from the bureau in the past, and almost invariably, where traceable, the record discloses that the change, whatever it has cost the bureau in efficiency, has been profitable to the individual. More than a hundred employees—nearly double the present entire clerical force—have thus left the office of their own accord within the last 10 years.

The salaries throughout have been markedly lower than is commensurate with the character of the work. The highest salary in the bureau is \$2,000, which is allowed to but one clerk. The appropriation provides for no chiefs of divisions, but experience has shown an organization of the office by divisions essential, and the records of the clerks detailed as chiefs of the various divisions show an unselfish and praiseworthy loyalty and practical results in the way of quality

and quantity of work, I believe, rarely equalled. It would be but partial justice to provide salaries of \$2,000 for each of the chiefs of the six main divisions of the bureau.

During the past few years transfers for the purpose of improving their condition have made regrettable inroads upon the clerks of the \$1,200 and \$1,000 classes—men trained to their work and of much greater value to the bureau—but for whom no opportunities for promotion could be found on account of the limited number of clerks authorized at \$1,400 and \$1,600. To relieve this condition there should be a material increase in the number of places in the bureau drawing salaries at the rates last named.

While the estimates submitted for the fiscal year 1913, in accordance with instructions, were silent on this subject, I believe both economy and justice point to the wisdom of consideration of the conditions obtaining and some measure of relief. I recommend, therefore, that salaries of \$2,000 be provided for 6 chiefs of division, and that the number of \$1,600 positions in the bureau be increased from 3 to 8 and of \$1,400 positions from 10 to 13. This would involve a reduction of 5 in the number of \$1,200 places and of 3 in the number of \$1,000 places now authorized. It would not mean any increase in the clerical force, which, though almost essential under the growing volume of work, should be deferred in favor of increased incentive to the employees now authorized, and greater permanence in the regular force.

Increase in the messengers of the bureau, however, is an immediate necessity. There are now authorized 2 messengers and 2 assistant messengers and 5 laborers. The bureau, owing to the crowded condition of the State, War, and Navy Building, is widely dispersed, occupying rooms on two different floors, and with three divisions in another building at 1800 F Street, and a storeroom, where part of its records must be kept, for lack of space elsewhere, at 920 E Street. The constant communication necessary between these several divisions and with nearly every department of the Government makes demands that can not be adequately met by the messengers now provided. I recommend that one additional messenger and one additional assistant messenger be authorized.

The comparatively brief period that has elapsed since the organization of this bureau has not, of course, admitted directly any serious loss to efficiency through the superannuation of its employees. On the other hand, however, it has been enough to establish the wisdom, both in justice to the Government and the great body of civil servants who devote the best years of their lives to its interests, of some adequate provision for their retirement after long and faithful service and when, either through age or illness, they have become incapacitated for further efficient work. It appears to me, moreover, that economy, quite as much as justice, urges early action in this direction.

For the loyalty, industry, and efficiency shown in the past my personal gratitude is due the entire personnel of the bureau.

Respectfully submitted.

C. R. EDWARDS,
Brigadier General, U. S. Army, Chief of Bureau.

The SECRETARY OF WAR.



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